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INTELLIGENCE BRIEF

BIG BOOST PLANNED
FOR SOVIET PRODUCTION OF REFRIGERATORS

DIRECTORATE OF INTELLIGENCE
Office of Research and Reports

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C-O-N-F-I-D-E-N-T-I-A-L

BIG BOOST PLANNED
FOR SOVIET PRODUCTION OF REFRIGERATORS

An extraordinarily large boost in Soviet production of refrigerators is expected in 1965 -- more than double any recent yearly increase. In order to meet the planned goal of almost 1.8 million refrigerators in 1965, output must increase more than 60 percent above that of 1964. Although such a large increase normally would seem unattainable, there are several signs that the plan may prove feasible. Sufficient capacity for meeting the goal for 1965 should be available as a result of the commissioning of new plants and of the reconstruction and expansion of old ones. Furthermore, the industry apparently is being given a higher priority by the present regime. In his speech to the Supreme Soviet on 9 December, Premier Kosygin singled out refrigerators as an important consumer need that must be met in the "near future," 1/ and Moscow recently has taken administrative steps to improve coordination in production of refrigerators and to bring about a more strict enforcement of plan goals.

Production of 1.8 million refrigerators obviously cannot satisfy pent-up demand for this product. Waiting periods still will be required, and the quality of some models poor. Nor will such a volume of production represent an effort likely to hamper other machine building programs significantly. The total value of refrigerators produced represents a minor part of the output of the machine building industries, comprising in 1965 considerably less than 1 percent. Nevertheless, this planned increase in refrigerators is an important step toward soothing the dissatisfaction of a populace long accustomed to waiting lists. 2/

1. Introduction

The revised goal for 1965 of 1.8 million refrigerators, affirmed by Premier Kosygin in his speech on 9 December, is 62 percent higher than the estimated level of production in 1964. This represents a near doubling of the rate of growth that was planned, but probably not achieved, in 1964. Except for 1963, when production dropped off sharply, rates of growth have ranged between 20 and 30 percent each year since 1959, as shown in the following tabulation:

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	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>		<u>1965</u>
						<u>Plan</u>	<u>Estimate</u>	<u>Plan</u>
Production (thousand units)	426	530	686	838	911	1,205*	1,100	1,777**
Percent of increase	18	24	30	22	9	32	21	62

2. Greater Official Interest in Consumer Durables

Since about 1950, when the USSR began to produce household appliances such as refrigerators and washing machines, production of these and a few small appliances has grown fairly steadily. Now the Soviet leadership is taking an even more active interest in the industry. Besides the emphasis given this subject in Kosygin's speech to the Supreme Soviet, there has been much discussion of it in the Soviet press. Ekonomicheskaya gazeta, the Soviet economic weekly, contains an item on some type of refrigerator in nearly every issue. In a major administrative change in September the Council of Ministers of the USSR organized the All-Union Association for Electrical Household Machines and Appliances. Its mission is to coordinate all work in developing specialized plants; to approve technical specifications and plans for materials, supplies, and component parts used by the industry; and to carry on an extensive publishing effort. ^{5/} Because there had been previously no single organization governing production of consumer durables, output of various nonspecialized plants was potentially volatile, depending on the priority of the mainline item, and enforcement of planned goals was virtually impossible.

3. New Production Capacity

Preparations for an upsurge in production of refrigerators have been underway for several years and should soon begin to reach fruition. New production capacity comprising well over 50 percent of the increment needed in 1965 has been accounted for. Seven plants that have begun production in the last 2 years have plans for increases in 1965 of between

* ^{3/}

** An upward revision of the original goal of 1,450,000 that was set in 1959. ^{4/}

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5,000 and 100,000 refrigerators, several times the production rates planned for 1964. In addition, at least one plant is being mechanized and automated and expects a sizable increase in production. Presumably, there are sufficient gaps in intelligence to account for the remainder of the increment.

Soviet industry has been notoriously slow in commissioning new plants or expanding old ones, and a continuance of this record could delay achievement of the goal for 1965. Compared with past efforts, however, an expanded investment program obviously is underway, and a large upsurge in production of refrigerators will occur as a result -- if not in 1965, then at least in 1966.

The need for greater specialization and standardization -- a goal of the administrative reform -- has been obvious for some time. Production at present is carried on in 26 different plants, mostly as a sideline in subsidiary shops of automobile, electrical machinery, and other machine building plants. As recently as 1961, no plant was devoted exclusively to production of refrigerators, but now there are several. The Leningrad Pressing Plant No. 2 was the first to specialize completely, a change that was expected to lead to a tripling of the output of refrigerators by the plant. 6/ Were other plants to move toward specialization, a further boost in production of refrigerators would occur.

4. Quality and Distribution

The quality of Soviet refrigerators is still far below US standards, and some are obsolete even by Soviet standards. The "Baku" refrigerator, for example, has been prohibited by the State Committee on Trade of the Council of Ministers, USSR, from being sold until its defects are corrected. 7/ Even so, this model is still sold in Azerbaydzhan SSR, indicating the excess of demand over supply. Although promises of better quality are made continuously, it seems likely that the Soviet consumers will be far from satisfied in the foreseeable future.

In addition, even assuming that production in 1965 meets Kosygin's expectations, it will mean only one new refrigerator for every 127 people in the USSR, where existing stocks in 1963 were at most 20 refrigerators for every 1,000 people. In the US in 1963 the volume of retail sales was about 1 refrigerator for every 46 people, in a situation

where all but a very few households (1.2 percent) already had refrigerators, 8/ and where there were about 300 refrigerators for every 1,000 people. Furthermore, Soviet refrigerators are more expensive per unit of capacity than US refrigerators and are relatively more expensive compared with similar US models than are any other major consumer durables except washing machines. 9/

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2. CIA. CIA/RR ER 62-2, Household Appliances in the USSR During the Seven Year Plan, 1959-65, Jan 62. C.
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8. Commerce, Bureau of the Census. Statistical Abstract of the United States, 1964, Washington, D. C., 1964, p. 757. U.
9. CIA. CIA/RR ER 64-1, A Comparison of Consumption in the USSR and the US, Jan 64, p. 47. U.

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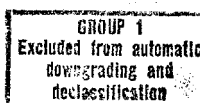
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